

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2004

OR

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 0-14695

**NTS-PROPERTIES VI,
A MARYLAND LIMITED PARTNERSHIP**
(Exact name of registrant as specified in its charter)

Maryland
*(State or other jurisdiction of
incorporation or organization)*

61-1066060
(I.R.S. Employer Identification No.)

10172 Linn Station Road, Louisville, Kentucky 40223
(Address of principal executive offices)

(502) 426-4800
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Indicate by check mark whether registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

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Some of the statements included in this quarterly report on Form 10-Q, particularly those included in Part I, Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), may be considered "forward-looking statements" because the statements relate to matters which have not yet occurred. For example, phrases such as "we anticipate," "believe" or "expect" indicate that it is possible that the event anticipated, believed or expected may not occur. If these events do not occur, the result which we expected also may, or may not, occur in a different manner, which may be more or less favorable to us. We do not undertake any obligation to update these forward-looking statements.

Any forward-looking statements included in MD&A, or elsewhere in this report, reflect our general partner's best judgment based on known factors, but involve risks and uncertainties. Actual results could differ materially from those anticipated in any forward-looking statements as a result of a number of factors, including but not limited to those described in our filings with the Securities and Exchange Commission, particularly our annual report on Form 10-K for the year ended December 31, 2003. Any forward-looking information provided by us pursuant to the safe harbor established by the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors.

PART I - FINANCIAL INFORMATION
Item 1 - Consolidated Financial Statements

**NTS-PROPERTIES VI,
A MARYLAND LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS**

	As of June 30, 2004 (UNAUDITED)	As of December 31, 2003
ASSETS		
Cash and equivalents	\$ 371,697	\$ 125,342
Cash and equivalents - restricted	332,619	245,599
Accounts receivable, net	73,660	132,859
Land, buildings and amenities, net	39,581,225	40,446,437
Other assets	<u>1,202,802</u>	<u>1,203,286</u>
TOTAL ASSETS	<u><u>\$ 41,562,003</u></u>	<u><u>\$ 42,153,523</u></u>
LIABILITIES AND PARTNERS' EQUITY		
Mortgages and notes payable	\$ 30,805,726	\$ 31,872,038
Accounts payable and accrued expenses	762,707	615,661
Accounts payable - affiliate	1,104,202	206,789
Security deposits	250,005	239,429
Other liabilities	<u>759,174</u>	<u>541,677</u>
TOTAL LIABILITIES	33,681,814	33,475,594
COMMITMENTS AND CONTINGENCIES (Note 10)		
PARTNERS' EQUITY	<u>7,880,189</u>	<u>8,677,929</u>
TOTAL LIABILITIES AND PARTNERS' EQUITY	<u><u>\$ 41,562,003</u></u>	<u><u>\$ 42,153,523</u></u>

**NTS-PROPERTIES VI,
A MARYLAND LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF PARTNERS' EQUITY
(UNAUDITED)**

	Limited Partners	General Partner	Total
PARTNERS' EQUITY/(DEFICIT)			
Capital contributions, net of offering costs	\$ 40,518,631	\$ 100	\$ 40,518,731
Net loss - prior years	(16,941,339)	(122,734)	(17,064,073)
Net loss - current year	(789,763)	(7,977)	(797,740)
Cash distributions declared to date	(12,006,384)	(121,277)	(12,127,661)
Repurchase of limited partnership interests	<u>(2,649,068)</u>	<u>--</u>	<u>(2,649,068)</u>
BALANCES ON JUNE 30, 2004	<u><u>\$ 8,132,077</u></u>	<u><u>\$ (251,888)</u></u>	<u><u>\$ 7,880,189</u></u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**NTS-PROPERTIES VI,
A MARYLAND LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
<u>REVENUES</u>				
Rental income	\$ 2,656,678	\$ 2,710,814	\$ 5,270,950	\$ 5,457,001
Tenant reimbursements	408	255	795	2,135
TOTAL REVENUES	2,657,086	2,711,069	5,271,745	5,459,136
<u>EXPENSES</u>				
Operating expenses	748,959	819,531	1,516,922	1,496,620
Operating expenses - affiliated	384,241	390,711	797,377	781,511
Management fees	134,196	135,578	266,917	277,415
Real estate taxes	97,253	393,210	223,041	617,355
Professional and administrative expenses	190,656	219,322	530,406	429,535
Professional and administrative expenses - affiliated	110,918	107,778	209,838	202,670
Depreciation and amortization	663,889	653,824	1,326,656	1,301,603
TOTAL OPERATING EXPENSES	2,330,112	2,719,954	4,871,157	5,106,709
OPERATING INCOME (LOSS)	326,974	(8,885)	400,588	352,427
Interest and other income	12,885	5,095	15,211	12,723
Interest expense	(595,587)	(621,159)	(1,195,468)	(1,256,879)
Loss on disposal of assets	(4,358)	(95,311)	(4,462)	(103,506)
Loss before minority interest	(260,086)	(720,260)	(784,131)	(995,235)
Minority interest income	8,193	6,336	13,609	15,079
Net loss	\$ (268,279)	\$ (726,596)	\$ (797,740)	\$ (1,010,314)
Net loss allocated to the limited partners	\$ (265,596)	\$ (719,330)	\$ (789,763)	\$ (1,000,211)
Net loss per limited partnership interest	\$ (6.83)	\$ (18.50)	\$ (20.31)	\$ (25.72)
Weighted average number of limited partnership interests	38,889	38,889	38,889	38,889

The accompanying notes to consolidated financial statements are an integral part of these statements.

**NTS-PROPERTIES VI,
A MARYLAND LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)**

	Six Months Ended June 30,	
	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net loss	\$ (797,740)	\$ (1,010,314)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on disposal of assets	4,462	103,506
Depreciation and amortization	1,354,325	1,327,499
Minority interest income	13,609	15,079
Changes in assets and liabilities:		
Cash and equivalents - restricted	(87,020)	(101,056)
Accounts receivable	59,199	(3,581)
Other assets	(8,144)	13,489
Accounts payable and accrued expenses	1,044,459	264,498
Security deposits	10,576	7,050
Other liabilities	<u>217,497</u>	<u>418,493</u>
Net cash provided by operating activities	<u>1,811,223</u>	<u>1,034,663</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Additions to land, buildings and amenities	(465,906)	(377,053)
Investment in joint ventures by minority partners, net	<u>(32,650)</u>	<u>(29,068)</u>
Net cash used in investing activities	<u>(498,556)</u>	<u>(406,121)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from note payable	19,216	--
Principal payments on mortgages and notes payable	<u>(1,085,528)</u>	<u>(1,021,074)</u>
Net cash used in financing activities	<u>(1,066,312)</u>	<u>(1,021,074)</u>
Net increase (decrease) in cash and equivalents	246,355	(392,532)
CASH AND EQUIVALENTS, beginning of period	<u>125,342</u>	<u>1,058,814</u>
CASH AND EQUIVALENTS, end of period	\$ <u><u>371,697</u></u>	\$ <u><u>666,282</u></u>
Interest paid on a cash basis	\$ <u><u>1,174,316</u></u>	\$ <u><u>1,254,715</u></u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**NTS-PROPERTIES VI,
A MARYLAND LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

The unaudited consolidated financial statements included herein should be read in conjunction with NTS-Properties VI's 2003 annual report on Form 10-K as filed with the Securities and Exchange Commission on March 26, 2004. In the opinion of our general partner, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation have been made to the accompanying consolidated financial statements for the three and six months ended June 30, 2004 and 2003. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period. As used in this quarterly report on Form 10-Q the terms "we," "us" or "our," as the context requires, may refer to NTS-Properties VI or its interests in its properties and joint ventures.

Note 1 - Consolidation Policy

The consolidated financial statements include the accounts of all wholly-owned properties and majority-owned joint ventures. Intercompany transactions and balances have been eliminated.

Other assets include minority interest in our joint venture properties totaling approximately \$732,000 and \$713,000 as of June 30, 2004 and December 31, 2003, respectively. These amounts have been derived primarily from distributions of the joint ventures in excess of the respective minority partners' historical investment in the joint ventures used for financial reporting purposes. This amount will be realized upon the sale of the respective joint venture property or dissolution of the respective joint venture. The underlying assets of the joint ventures are assessed for asset impairment on a periodic basis.

Minority Interest

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("SFAS 150"). SFAS 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS 150 was effective for all financial instruments created or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. On November 7, 2003, FASB Staff Position No. FAS 150-3 was issued, which deferred for an indefinite period the classification and measurement provisions, but not the disclosure provisions of SFAS 150.

We consolidate certain properties that are also owned by affiliated parties that have noncontrolling interests. In certain cases, the applicable joint venture agreement provides for a contractual termination date of the agreement based on certain specified events. SFAS 150 describes this type of arrangement as a “limited-life subsidiary”. SFAS 150 requires the disclosure of the estimated settlement value of these noncontrolling interests. As of June 30, 2004, the estimated settlement value of these noncontrolling interests is approximately \$552,000. This settlement value is based on estimated third party consideration paid to the joint venture upon disposition of each property and is net of all other assets and liabilities including any yield maintenance that would have been due on that date had the mortgage encumbering the properties been prepaid on June 30, 2004. Due to the inherent risks and uncertainties related to the operations and sale of real estate assets, among other things, the amount of any potential distribution to the noncontrolling interests is likely to change.

Note 2 - Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Concentration of Credit Risk

We own and operate, either wholly or through a joint venture, five apartment communities - Park Place Apartments Phases I and III, in Lexington, Kentucky, Willow Lake Apartments, in Indianapolis, Indiana and Sabal Park and Golf Brook Apartments, in Orlando, Florida. We also own and operate, through a joint venture, a commercial rental property - Plainview Point Office Center Phase III, in Louisville, Kentucky. Substantially all of the commercial property’s tenants are local businesses or are businesses which have operations in the Louisville area.

Our financial instruments that are exposed to concentrations of credit risk consist of cash and equivalents. We maintain our cash accounts primarily with banks located in Kentucky. Cash balances are insured by the FDIC up to \$100,000 per bank account. We may at times, in certain accounts, have deposits in excess of \$100,000.

Note 4 - Cash and Equivalents

We have a cash management program which provides for the overnight investment of excess cash balances. Under an agreement with a bank, excess cash is invested in a repurchase agreement for U.S. government or agency securities each night. As of June 30, 2004, approximately \$168,000 of our overnight investment was included in cash and equivalents.

Note 5 - Cash and Equivalents - Restricted

Cash and equivalents - restricted represents funds received for apartment community security deposits and funds which have been escrowed with mortgage companies for property taxes and insurance in accordance with the loan agreements.

Note 6 - Basis of Property and Depreciation

Land, buildings and amenities are stated at cost. Costs directly associated with the acquisition, development and construction of a project are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are 5-30 years for land improvements, 5-30 years for buildings and improvements, 5-30 years for amenities and the applicable lease term for tenant improvements. The aggregate cost of our properties for federal tax purposes is approximately \$76,553,000.

Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," specifies circumstances in which certain long-lived assets must be reviewed for impairment. If the carrying amount of an asset exceeds the sum of its expected future cash flows, the asset's carrying value must be written down to fair value. There were no impairment losses during any of the periods presented.

Note 7 - Mortgages and Notes Payable

Mortgages and notes payable consist of the following:

	June 30, 2004	December 31, 2003
Mortgage payable with an insurance company, payable in monthly installments, bearing interest at 7.74%, due October 15, 2012, secured by certain land, buildings and amenities.	\$ 10,813,563	\$ 11,004,713
Mortgage payable with an insurance company, payable in monthly installments, bearing interest at 7.32%, due October 15, 2012, secured by certain land, buildings and amenities.	5,821,259	6,070,365
Mortgage payable with an insurance company, payable in monthly installments, bearing interest at 7.57%, due May 15, 2009, secured by certain land, buildings and amenities.	5,592,388	6,044,431
Mortgage payable with an insurance company, payable in monthly installments, bearing interest at 8.375%, due December 1, 2010, secured by certain land, buildings and amenities.	2,947,996	2,988,656
Mortgage payable with an insurance company, payable in monthly installments, bearing interest at 7.38%, due December 5, 2012, secured by certain land and building.	1,961,812	2,043,356
Mortgage payable with an insurance company, payable in monthly installments, bearing interest at 6.93%, due December 5, 2012, secured by certain land, buildings and amenities.	1,941,617	1,958,280
Mortgage payable with an insurance company, payable in monthly installments, bearing interest at 7.38%, due December 5, 2012, secured by certain land, buildings and amenities.	1,307,875	1,362,237
Note payable to a bank, bearing interest at the Prime Rate, payable in monthly installments, due October 1, 2004. On June 30, 2004, the interest rate was 4.00%.	400,000	400,000
Note payable to a finance company, payable in monthly installments, bearing interest at 8.50%, due July 15, 2006.	19,216	--
	<u>\$ 30,805,726</u>	<u>\$ 31,872,038</u>

Our mortgages may be prepaid but are generally subject to a yield-maintenance premium.

As of June 30, 2004, the fair value of long-term debt is approximately \$31,861,000, based on the borrowing rates currently available to us for mortgages with similar terms and average maturities.

On May 24, 2004, we obtained a note payable from a finance company in the amount of \$19,216. The note bears interest at 8.5% and the maturity date is July 15, 2006. The note was obtained to purchase four maintenance golf carts, two for Golf Brook Apartments and two for Sabal Park Apartments.

Note 8 - Accounts Payable - Affiliate

Accounts payable - affiliate includes amounts owed to NTS Development Company for reimbursement of salary and overhead expenses.

NTS Development Company has agreed to defer, until March 31, 2005, amounts owed to them by us as of December 31, 2003 and those amounts accruing from January 1, 2004 through March 31, 2005, other than as permitted by our cash flows. There can be no assurances that NTS Development Company will continue to defer amounts due them past March 31, 2005.

Note 9 - Related Party Transactions

Pursuant to an agreement with us, NTS Development Company, an affiliate of our General Partner, receives property management fees on a monthly basis. The monthly fees are equal to 5% of the gross revenues from our apartment communities and 6% of the gross revenues from our commercial property. Also pursuant to an agreement, NTS Development Company receives a repair and maintenance fee equal to 5.9% of costs incurred which relates to capital improvements and major repair and renovation projects. These repair and maintenance fees are capitalized as part of land, buildings and amenities.

We were charged the following amounts from NTS Development Company for the six months ended June 30, 2004 and 2003. These charges include items which have been expensed as operating expenses - affiliated or professional and administrative expenses - affiliated and items which have been capitalized as other assets or as land, buildings and amenities.

	Six Months Ended June 30,	
	2004	2003
Property management fees	\$ 266,917	\$ 277,415
Property management	522,446	533,440
Leasing	68,711	86,071
Administrative - operating	195,600	155,602
Other	10,620	6,398
Total operating expenses - affiliated	797,377	781,511
Professional and administrative expenses - affiliated	209,838	202,670
Repair and maintenance fees	22,556	18,334
Leasing commissions	4,538	12,069
Total related party transactions capitalized	27,094	30,403
Total related party transactions	\$ 1,301,226	\$ 1,291,999

During the six months ended June 30, 2004 and 2003, we were charged \$14,013 and \$14,822, respectively, for property maintenance fees from an affiliate of NTS Development Company.

Note 10 - Commitments and Contingencies

As an owner of real estate, we are subject to various environmental laws of federal, state and local governments. Our compliance with existing laws has not had a material adverse effect on our financial condition or results of operations. However, we cannot predict the impact of new or changed laws or regulations on our current properties or on properties that we may acquire in the future.

On April 16, 2004, a tenant leased approximately 11,000 square feet of Plainview Point Office Center Phase III. The lease agreement calls for tenant finish, estimated to cost approximately \$411,000. The tenant finish cost will be funded by loan proceeds from a note payable obtained October 1, 2003 (see Note 7 "Mortgages and Note Payable" for further discussion on our loans) and cash reserves. Through June 30, 2004, approximately \$401,000 of the tenant finish cost has been incurred.

Litigation

On December 12, 2001, three individuals filed an action in the Superior Court of the State of California for the County of Contra Costa (the "Superior Court") originally captioned *Buchanan, et al. v. NTS-Properties Associates, et al.* (Case No. C 01-05090) against the general partners (the "General Partners") of NTS-Properties III, NTS-Properties IV, NTS-Properties V, NTS-Properties

VI and NTS-Properties VII, Ltd. (the “Partnerships”), as well as several individuals and entities affiliated with us. The action purported to bring claims on behalf of a class of limited partners. These claims were based on, among other things, tender offers made by the Partnerships and an affiliate of the General Partners, as well as the operation of the Partnerships by the General Partners. The plaintiffs alleged, among other things, that the prices at which limited partnership interests were purchased in these tender offers were too low. The plaintiffs sought monetary damages and equitable relief, including an order directing the disposition of the properties owned by the Partnerships and the distribution of the proceeds. No amounts have been accrued as a liability for this action in our financial statements. Under an indemnification agreement with our general partner, we are responsible for the costs of defending any such action.

On February 27, 2003, two individuals filed a class and derivative action in the Circuit Court of Jefferson County, Kentucky captioned *Bohm, et al. v. J.D. Nichols, et al.* (Case No. 03-CI-01740) against certain of the General Partners and several individuals and entities affiliated with us. The complaint was amended to include the general partner of NTS-Properties III and the general partner of NTS-Properties Plus Ltd., which is no longer in existence. In the amended complaint, the plaintiffs purport to bring claims on behalf of a class of limited partners and derivatively on behalf of us and the Partnerships based on alleged overpayment of fees, prohibited investments, improper failures to make distributions, purchases of limited partnerships interests at insufficient prices and other violations of the limited partnership agreements. The plaintiffs are seeking, among other things, compensatory and punitive damages in an unspecified amount, an accounting, the appointment of a receiver or liquidating trustee, the entry of an order of dissolution against the Partnerships, a declaratory judgment and injunctive relief. No amounts have been accrued as a liability for this action in our financial statements. Our general partner and legal counsel believe that this action is without merit and are vigorously defending it.

On June 20, 2003, the General Partners reached an agreement in principle with the representatives of the class of plaintiffs to settle the *Buchanan* litigation. This agreed upon settlement includes releases for all of the parties for all of the claims asserted in the *Buchanan* litigation and the *Bohm* litigation. As part of the agreed upon settlement, the General Partners agreed to pursue a merger of the Partnerships and other real estate entities affiliated with the General Partners into a newly-formed entity named NTS Realty Holdings Limited Partnership (“NTS Realty”). NTS Development Company agreed to pay the Partnerships \$1,500,000 on the closing date of the merger. We expect to receive \$723,000 of this payment.

On December 5, 2003, the General Partners, certain of their affiliates and the class of plaintiffs in the *Buchanan* litigation jointly filed a Stipulation and Agreement of Settlement (the “Settlement Agreement”) with the Superior Court. The Settlement Agreement sets forth in writing the terms of the agreed upon settlement the parties reached on June 20, 2003. On February 26, 2004, the Superior Court preliminarily approved the Settlement Agreement as within the range of reasonableness and that it is fair, just and adequate to the class of plaintiffs. The Superior Court scheduled a hearing to finally determine whether the Settlement Agreement is in the best interests of the class of plaintiffs and whether the *Buchanan* litigation should be dismissed with prejudice.

On March 2, 2004, we, along with all defendants, filed a Motion to Dismiss the Bohm litigation. After the Motion to Dismiss was fully briefed, the settlement agreement in the Buchanan litigation received final court approval. The Circuit Court of Jefferson County, Kentucky, instructed the plaintiffs in the Bohm litigation to file an amended complaint in light of the approved settlement of the Buchanan litigation. The plaintiffs in the Bohm litigation filed a corrected Second Amended Complaint on August 11, 2004. Our general partner believes that the claims asserted in the corrected Second Amended Complaint have no merit.

On May 6, 2004, the Superior Court granted its final approval of the Settlement Agreement. At the final hearing, any member of the class of plaintiffs was given the opportunity to object to the final approval of the Settlement Agreement, the entry of a final judgment dismissing with prejudice the *Buchanan* litigation, or an application of an award for attorneys' fees and expenses to plaintiffs' counsel. The Superior Court's order provides, among other things, that: (1) the Settlement Agreement, and all transactions contemplated thereby, including the proposed merger of the Partnerships into NTS Realty, are fair, reasonable and adequate, and in the best interests of the class of plaintiffs; (2) the plaintiffs' complaint and each and every cause of action and claim set forth therein is dismissed with prejudice; (3) each class member is barred from (a) transferring, selling or otherwise disposing of (other than by operation of law) their interests until the earlier of the closing date of the merger, the termination of the settlement or June 30, 2004; and (4) each class member who requested to be excluded from the settlement released their claims in the *Bohm* litigation.

On June 11, 2004, Joseph Bohm and David Duval, class members who objected to the Settlement Agreement but were overruled by the Superior Court, filed an appeal in the Court of Appeals of the State of California, first Appellate District. Our general partner believes that this appeal has no merit and intends to defend it and the decision of the Superior Court.

For the six months ended June 30, 2004 and 2003, our share of the legal costs for the *Buchanan* and *Bohm* litigations was approximately \$137,000 and \$158,000, respectively, which was included in our professional and administrative expenses.

We do not believe there is any other litigation threatened against us other than routine litigation arising out of the ordinary course of business, some of which is expected to be covered by insurance, none of which is expected to have a material effect on our consolidated financial position or results of operations, except as discussed herein.

Proposed Merger

As part of the Settlement Agreement, our general partner and the general partners of the four public partnerships affiliated with us, have agreed to pursue a merger of the partnerships and several other affiliated real estate entities into a newly formed limited partnership known as NTS Realty. The merger is subject to, among other things, approval by a majority of the limited partner interests in each partnership. We may not seek the approval of the limited partners until a filing made by NTS Realty with the Securities and Exchange Commission is declared effective. For the six months

ended June 30, 2004 and 2003, our share of the legal and professional fees for the proposed merger was approximately \$313,000 and \$85,000, respectively.

On February 4, 2004, NTS Realty filed a joint consent solicitation statement/prospectus on Form S-4 with the Securities and Exchange Commission. The solicitation statement/prospectus presents the merger of NTS-Properties III; NTS-Properties IV; NTS-Properties V; NTS-Properties VI; and NTS-Properties VII, Ltd. with NTS Realty. Concurrent with the merger, ORIG, LLC, a Kentucky limited liability company, which is affiliated with our general partner, will contribute substantially all its real estate assets and all of its liabilities to NTS Realty.

On June 24, 2004 and August 13, 2004, NTS Realty filed first and second amendments, respectively, to Form S-4 with the Securities and Exchange Commission. Both amendments are in response to comments made by the Securities and Exchange Commission.

Note 11 - Segment Reporting

Our reportable operating segments include Apartment Community and Commercial Real Estate Operations. The apartment community operations represent our ownership and operating results relative to the apartment complexes known as Willow Lake, Park Place Phase I, Park Place Phase III, Sabal Park and Golf Brook. The commercial operations represent our ownership and operating results relative to suburban commercial office space known as Plainview Point Office Center Phase III.

The financial information of the operating segments has been prepared using a management approach, which is consistent with the basis and manner in which our management internally reports financial information for the purposes of assisting in making internal operating decisions. Our management evaluated performance based on stand-alone operating segment net income. Professional and administrative expenses, interest and other income, depreciation, interest expense and minority interest income recorded at the Partnership level have not been allocated to the segments.

Three Months Ended June 30, 2004			
	Apartment Communities	Commercial	Total
Rental income	\$ 2,474,184	\$ 182,494	\$ 2,656,678
Tenant reimbursements	--	408	408
Total revenues	<u>2,474,184</u>	<u>182,902</u>	<u>2,657,086</u>
Operating expenses and operating expenses - affiliated	1,045,216	87,984	1,133,200
Management fees	125,714	8,482	134,196
Real estate taxes	85,703	11,550	97,253
Depreciation and amortization	<u>587,298</u>	<u>54,225</u>	<u>641,523</u>
Total operating expenses	<u>1,843,931</u>	<u>162,241</u>	<u>2,006,172</u>
Operating income	630,253	20,661	650,914
Interest and other income	11,232	115	11,347
Interest expense	(204,841)	--	(204,841)
Loss on disposal of assets	<u>(2,452)</u>	<u>(1,906)</u>	<u>(4,358)</u>
Net income	<u>\$ 434,192</u>	<u>\$ 18,870</u>	<u>\$ 453,062</u>

Three Months Ended June 30, 2003			
	Apartment Communities	Commercial	Total
Rental income	\$ 2,583,149	\$ 127,665	\$ 2,710,814
Tenant reimbursements	--	255	255
Total revenues	<u>2,583,149</u>	<u>127,920</u>	<u>2,711,069</u>
Operating expenses and operating expenses - affiliated	1,131,469	78,773	1,210,242
Management fees	127,749	7,829	135,578
Real estate taxes	386,700	6,510	393,210
Depreciation and amortization	<u>578,503</u>	<u>52,955</u>	<u>631,458</u>
Total operating expenses	<u>2,224,421</u>	<u>146,067</u>	<u>2,370,488</u>
Operating income (loss)	358,728	(18,147)	340,581
Interest and other income	3,184	159	3,343
Interest expense	(215,710)	--	(215,710)
Loss on disposal of assets	<u>(95,311)</u>	<u>--</u>	<u>(95,311)</u>
Net income (loss)	<u>\$ 50,891</u>	<u>\$ (17,988)</u>	<u>\$ 32,903</u>

	Six Months Ended June 30, 2004		
	Apartment Communities	Commercial	Total
Rental income	\$ 4,950,867	\$ 320,083	\$ 5,270,950
Tenant reimbursements	--	795	795
Total revenues	<u>4,950,867</u>	<u>320,878</u>	<u>5,271,745</u>
Operating expenses and operating expenses - affiliated	2,148,630	165,669	2,314,299
Management fees	250,059	16,858	266,917
Real estate taxes	189,838	33,203	223,041
Depreciation and amortization	<u>1,173,676</u>	<u>108,247</u>	<u>1,281,923</u>
Total operating expenses	<u>3,762,203</u>	<u>323,977</u>	<u>4,086,180</u>
Operating income (loss)	1,188,664	(3,099)	1,185,565
Interest and other income	11,688	266	11,954
Interest expense	(410,988)	--	(410,988)
Loss on disposal of assets	<u>(2,556)</u>	<u>(1,906)</u>	<u>(4,462)</u>
Net income (loss)	<u>\$ 786,808</u>	<u>\$ (4,739)</u>	<u>\$ 782,069</u>

	Six Months Ended June 30, 2003		
	Apartment Communities	Commercial	Total
Rental income	\$ 5,200,873	\$ 256,128	\$ 5,457,001
Tenant reimbursements	--	2,135	2,135
Total revenues	<u>5,200,873</u>	<u>258,263</u>	<u>5,459,136</u>
Operating expenses and operating expenses - affiliated	2,123,592	154,539	2,278,131
Management fees	261,348	16,067	277,415
Real estate taxes	604,335	13,020	617,355
Depreciation and amortization	<u>1,156,783</u>	<u>100,087</u>	<u>1,256,870</u>
Total operating expenses	<u>4,146,058</u>	<u>283,713</u>	<u>4,429,771</u>
Operating income (loss)	1,054,815	(25,450)	1,029,365
Interest and other income	8,124	271	8,395
Interest expense	(436,204)	--	(436,204)
Loss on disposal of assets	<u>(103,506)</u>	<u>--</u>	<u>(103,506)</u>
Net income (loss)	<u>\$ 523,229</u>	<u>\$ (25,179)</u>	<u>\$ 498,050</u>

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements for the three and six months ended June 30, 2004 and 2003, is necessary given amounts recorded at the Partnership level and not allocated to the operating properties for internal reporting purposes.

	Three Months Ended June 30,	
	2004	2003
<u>DEPRECIATION AND AMORTIZATION</u>		
Total depreciation and amortization for reportable segments	\$ 641,523	\$ 631,458
Depreciation and amortization for Partnership	<u>22,366</u>	<u>22,366</u>
Total depreciation and amortization	<u>\$ 663,889</u>	<u>\$ 653,824</u>
<u>INTEREST AND OTHER INCOME</u>		
Total interest and other income for reportable segments	\$ 11,347	\$ 3,343
Interest and other income for Partnership	<u>1,538</u>	<u>1,752</u>
Total interest and other income	<u>\$ 12,885</u>	<u>\$ 5,095</u>
<u>INTEREST EXPENSE</u>		
Total interest expense for reportable segments	\$ (204,841)	\$ (215,710)
Interest expense for Partnership	<u>(390,746)</u>	<u>(405,449)</u>
Total interest expense	<u>\$ (595,587)</u>	<u>\$ (621,159)</u>
<u>NET INCOME (LOSS)</u>		
Total net income for reportable segments	\$ 453,062	\$ 32,903
Less minority interest for Partnership	8,193	6,336
Plus net loss for Partnership (1)	<u>(713,148)</u>	<u>(753,163)</u>
Total net loss	<u>\$ (268,279)</u>	<u>\$ (726,596)</u>

- (1) The Partnership's net loss is primarily composed of professional and administrative costs born by the Partnership and also includes interest and other income, interest expense, depreciation and minority interest recorded at the partnership level and not allocated to the operating segments. The professional and administrative costs include the tax and public company reporting and compliance costs associated with a public limited partnership.

	Six Months Ended June 30,	
	2004	2003
<u>DEPRECIATION AND AMORTIZATION</u>		
Total depreciation and amortization for reportable segments	\$ 1,281,923	\$ 1,256,870
Depreciation and amortization for Partnership	<u>44,733</u>	<u>44,733</u>
Total depreciation and amortization	<u>\$ 1,326,656</u>	<u>\$ 1,301,603</u>
<u>INTEREST AND OTHER INCOME</u>		
Total interest and other income for reportable segments	\$ 11,954	\$ 8,395
Interest and other income for Partnership	<u>3,257</u>	<u>4,328</u>
Total interest and other income	<u>\$ 15,211</u>	<u>\$ 12,723</u>
<u>INTEREST EXPENSE</u>		
Total interest expense for reportable segments	\$ (410,988)	\$ (436,204)
Interest expense for Partnership	<u>(784,480)</u>	<u>(820,675)</u>
Total interest expense	<u>\$ (1,195,468)</u>	<u>\$ (1,256,879)</u>
<u>NET INCOME (LOSS)</u>		
Total net income for reportable segments	\$ 782,069	\$ 498,050
Less minority interest for Partnership	13,609	15,079
Plus net loss for Partnership (1)	<u>(1,566,200)</u>	<u>(1,493,285)</u>
Total net loss	<u>\$ (797,740)</u>	<u>\$ (1,010,314)</u>

- (1) The Partnership's net loss is primarily composed of professional and administrative costs born by the Partnership and also includes interest and other income, interest expense, depreciation and minority interest recorded at the partnership level and not allocated to the operating segments. The professional and administrative costs include the tax and public company reporting and compliance costs associated with a public limited partnership.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements in Item 1 and the cautionary statements below.

Critical Accounting Policies

General

A critical accounting policy is one that would materially affect our operations or financial condition, and requires management to make estimates or judgments in certain circumstances. These judgments often result from the need to make estimates about the effect of matters that are inherently uncertain. Critical accounting policies discussed in this section are not to be confused with accounting principles and methods disclosed in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP requires information in financial statements about accounting principles, methods used and disclosures pertaining to significant estimates. The following disclosure discusses judgments known to management pertaining to trends, events or uncertainties known which were taken into consideration upon the application of those policies and the likelihood that materially different amounts would be reported upon taking into consideration different conditions and assumptions.

Impairment and Valuation

Statement of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," specifies circumstances in which certain long-lived assets must be reviewed for impairment. If the carrying amount of an asset exceeds the sum of its expected future cash flows, the asset's carrying value must be written down to fair value. In determining the value of an investment property and whether the investment property is impaired, management considers several factors such as projected rental and vacancy rates, property operating expenses, capital expenditures and interest rates. The capitalization rate used to determine property valuation is based on the market in which the investment property is located, length of leases, tenant financial strength, the economy in general, demographics, environment, property location, visibility, age and physical condition among others. All of these factors are considered by management in determining the value of any particular investment property. The value of any particular investment property is sensitive to the actual results of any of these factors, either individually or taken as a whole. If the actual results differ from management's judgment, the valuation could be negatively or positively affected.

Recognition of Rental Income

Our apartment communities have operating leases with apartment residents with terms generally of twelve months or less. We recognize rental revenue related to these leases on an accrual basis when due from residents. In accordance with our standard lease terms, rental payments are generally due on a monthly basis.

Our commercial property leases are accounted for as operating leases. We accrue minimum rents on a straight-line basis over the terms of their respective leases. We structure our leases to allow us to recover a significant portion of our property operating, real estate taxes and repairs and maintenance expenses from our commercial tenants. Property operating expenses typically include utility, insurance, security, janitorial, landscaping and other administrative expenses. We accrue reimbursements from tenants for recoverable portions of all these expenses as revenue in the period the applicable expenditures are incurred. We also receive estimated payments for these reimbursements from substantially all our tenants throughout the year. We do this to reduce the risk of loss on uncollectible accounts once we perform the final year-end billings for recoverable expenditures. We recognize the difference between estimated recoveries and the final billed amounts in the subsequent year and we believe these differences were not material in any period presented.

Under GAAP, we are required to recognize rental income based on the effective monthly rent for each lease. The effective monthly rent is equal to the average monthly rent during the term of the lease, not the stated rent for any particular month. The process, known as "straight-lining" or "stepping" rent generally has the effect of increasing rental revenues during the early phases of a lease and decreasing rental revenues in the latter phases of a lease. Due to the impact of "straight-lining," cash collected for rent exceeded rental income by approximately \$8,000, for the six months ended June 30, 2004, and rental income exceeded cash collected for rent by approximately \$100 for the six months ended June 30, 2003. If rental income calculated on a straight-line basis exceeds the cash rent due under the lease, the difference is recorded as an increase in deferred rent receivable and included as a component of accounts receivable on the relevant balance sheet. If the cash rent due under the lease exceeds rental income calculated on a straight-line basis, the difference is recorded as a decrease in deferred rent receivable and is recorded as a decrease of accounts receivable on the relevant balance sheet. We defer recognition of contingent rental income, such as percentage or excess rent, until the specified target that triggers the contingent rental income is achieved. We periodically review the collectability of outstanding receivables. Allowances are generally taken for tenants with outstanding balances due for a period greater than ninety days and for tenants with potentially uncollectible outstanding balances due for a period less than ninety days.

Recognition of Lease Termination Income

We recognize lease termination income upon receipt of the income. We accrue lease termination income if there is a signed termination agreement, all of the conditions of the agreement have been met and the tenant is no longer occupying the property.

Cost Capitalization and Depreciation Policies

We review all expenditures and capitalize any item exceeding \$1,000 deemed to be an upgrade or a tenant improvement with an expected useful life greater than one year. Land, buildings and amenities are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Buildings and improvements have estimated useful lives between 5-30 years, land improvements have estimated useful lives of between 5-30 years, and amenities have estimated useful lives between 5-30 years.

Minority Interest

In May 2003, the Financial Accounting Standards Board (“FASB”) issued Statement No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” (“SFAS 150”). SFAS 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS 150 was effective for all financial instruments created or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. On November 7, 2003, FASB Staff Position No. FAS 150-3 was issued, which deferred for an indefinite period the classification and measurement provisions, but not the disclosure provisions of SFAS 150.

We consolidate certain properties that are also owned by affiliated parties that have noncontrolling interests. In certain cases, the applicable joint venture agreement provides for a contractual termination date of the agreement based on certain specified events. SFAS 150 describes this type of arrangement as a “limited-life subsidiary”. SFAS 150 requires the disclosure of the estimated settlement value of these noncontrolling interests. As of June 30, 2004, the estimated settlement value of these noncontrolling interests is approximately \$552,000. This settlement value is based on estimated third party consideration paid to the joint venture upon disposition of each property and is net of all other assets and liabilities including any yield maintenance that would have been due on that date had the mortgage encumbering the properties been prepaid on June 30, 2004. Due to the inherent risks and uncertainties related to the operations and sale of real estate assets, among other things, the amount of any potential distribution to the noncontrolling interests is likely to change.

Results of Operations

The following tables include our selected summarized operating data for the three and six months ended June 30, 2004 and 2003. This data is presented to provide assistance in identifying trends in our operating results and other factors affecting our business. This data should be read in conjunction with our consolidated financial statements, including the notes thereto, in Part I, Item 1 of this report.

Three Months Ended June 30, 2004				
	Apartment Communities	Commercial	Partnership	Total
Net revenues	\$ 2,474,184	\$ 182,902	\$ --	\$ 2,657,086
Operating expenses and operating expenses - affiliated	1,045,216	87,984	--	1,133,200
Depreciation and amortization	587,298	54,225	22,366	663,889
Interest expense	204,841	--	390,746	595,587
Net income (loss)	434,192	18,870	(721,341)	(268,279)

Three Months Ended June 30, 2003				
	Apartment Communities	Commercial	Partnership	Total
Net revenues	\$ 2,583,149	\$ 127,920	\$ --	\$ 2,711,069
Operating expenses and operating expenses - affiliated	1,131,469	78,773	--	1,210,242
Depreciation and amortization	578,503	52,955	22,366	653,824
Interest expense	215,710	--	405,449	621,159
Net income (loss)	50,891	(17,988)	(759,499)	(726,596)

Six Months Ended June 30, 2004				
	Apartment Communities	Commercial	Partnership	Total
Net revenues	\$ 4,950,867	\$ 320,878	\$ --	\$ 5,271,745
Operating expenses and operating expenses - affiliated	2,148,630	165,669	--	2,314,299
Depreciation and amortization	1,173,676	108,247	44,733	1,326,656
Interest expense	410,988	--	784,480	1,195,468
Net income (loss)	786,808	(4,739)	(1,579,809)	(797,740)

Six Months Ended June 30, 2003				
	Apartment Communities	Commercial	Partnership	Total
Net revenues	\$ 5,200,873	\$ 258,263	\$ --	\$ 5,459,136
Operating expenses and operating expenses - affiliated	2,123,592	154,539	--	2,278,131
Depreciation and amortization	1,156,783	100,087	44,733	1,301,603
Interest expense	436,204	--	820,675	1,256,879
Net income (loss)	523,229	(25,179)	(1,508,364)	(1,010,314)

During the six months ended June 30, 2004, our operating results have been negatively impacted by the expenses related to our proposed merger. Residential net revenues have decreased due to a decrease in average rent per unit. Commercial net revenues have increased slightly as a result of higher average occupancy. Operating expense and operating expenses - affiliated have not changed significantly. Real estate taxes have decreased due to decreased tax assessments at Willow Lake Apartments and Park Place Apartments Phase I, which were partially offset by an increased tax

assessment at Plainview Point Office Center Phase III and by additional Plainview Point Office Center Phase III property tax that was contested in 2003, but overruled in 2004. Depreciation and interest expense have remained fairly constant.

Rental income and tenant reimbursements generated by our properties and joint ventures for the three and six months ended June 30, 2004 and 2003 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
<u>Wholly-Owned Properties</u>				
Sabal Park Apartments	\$ 471,669	\$ 492,594	\$ 951,336	\$ 986,521
Park Place Apartments Phase I	391,558	423,627	788,999	854,496
Willow Lake Apartments	525,882	573,342	1,030,300	1,134,824
Park Place Apartments Phase III	374,878	376,704	753,252	764,258
<u>Joint Venture Properties</u>				
<u>(Ownership % on June 30, 2004)</u>				
Golf Brook Apartments (96.03%)	\$ 710,197	\$ 716,882	\$ 1,426,980	\$ 1,460,774
Plainview Point Office Center Phase III (95.04%)	182,902	127,920	320,878	258,263

We believe the changes in rental income and tenant reimbursements from period to period are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except for Plainview Point Office Center Phase III where we expect there will be a protracted period extending beyond 2004 for the property to become fully leased again.

The occupancy levels at our properties and joint ventures as of June 30, 2004 and 2003 were as follows:

	June 30,	
	2004	2003
<u>Wholly-Owned Properties</u>		
Sabal Park Apartments	98%	91%
Park Place Apartments Phase I	84%	90%
Willow Lake Apartments	89%	86%
Park Place Apartments Phase III	93%	93%
<u>Joint Venture Properties</u>		
<u>(Ownership % on June 30, 2004)</u>		
Golf Brook Apartments (96.03%)	99%	92%
Plainview Point Office Center Phase III (95.04%)	78%	48%

We believe the changes in occupancy on June 30 from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except for Plainview Point Office Center Phase III where we expect there will be a protracted period extending beyond 2004 for the property to become fully leased again.

The average occupancy levels at our properties and joint ventures for the three and six months ended June 30, 2004 and 2003 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
<u>Wholly-Owned Properties</u>				
Sabal Park Apartments	96%	94%	95%	95%
Park Place Apartments Phase I	81%	89%	80%	87%
Willow Lake Apartments	87%	87%	86%	86%
Park Place Apartments Phase III	90%	93%	91%	94%
<u>Joint Venture Properties</u>				
<u>(Ownership % on June 30, 2004)</u>				
Golf Brook Apartments (96.03%)	96%	91%	93%	91%
Plainview Point Office Center Phase III (95.04%)	76%	49%	66%	49%

We believe the changes in average occupancy from period to period are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except for Plainview Point Office Center Phase III where we expect there will be a protracted period extending beyond 2004 for the property to become fully leased again.

In an effort to continue to improve occupancy at our apartment communities, we have an on-site leasing staff, who are employees of NTS Development Company, at each of the apartment communities. The staff handles all on-site visits from potential tenants, coordinates local advertising with NTS Development Company's marketing staff, makes visits to local companies to promote fully furnished apartments, and negotiates lease renewals with current residents.

The leasing and renewal negotiations for our commercial property are handled by leasing agents, who are employees of NTS Development Company, located in Louisville, Kentucky. The leasing agents are located in the same city as the commercial property. All advertising for the commercial property is coordinated by NTS Development Company's marketing staff located in Louisville, Kentucky.

The following discussion relating to changes in our results of operations includes only material line items within our Statements of Operations or line items for which there was a material change between the three and six months ending June 30, 2004 and 2003.

Rental Income and Tenant Reimbursements

Rental income and tenant reimbursements did not change significantly between the three months ended June 30, 2004 and 2003. There are no offsetting material changes.

Rental income and tenant reimbursements were approximately \$5,272,000 and \$5,459,000 for the six months ended June 30, 2004 and 2003, respectively. The decrease of \$187,000, or 3%, is primarily the result of a decrease in average income per unit at Willow Lake Apartments, Sabal Park Apartments and Golf Brook Apartments and decreased average occupancy at Park Place Apartments Phase I. The decrease was partially offset by an increase in average occupancy at Plainview Point Office Center Phase III.

Operating Expenses and Operating Expenses – Affiliated

Operating expenses for the three months ended June 30, 2004 and 2003 were approximately \$749,000 and \$820,000, respectively. The decrease of \$71,000, or 9%, is primarily due to a decrease in repairs and maintenance costs at Sabal Park Apartments and Park Place Apartments Phase I, a decrease in bad debt expense at Sabal Park Apartments and a decrease in exterior landscaping costs at Park Place Apartments Phase I and III for ice storm cleanup. The decrease is partially offset by an increase in insurance expense at Sabal Park Apartments and Golf Brook Apartments.

Operating expenses did not change significantly between the six months ended June 30, 2004 and 2003. There are no offsetting material changes.

Our operating expenses – affiliated did not change significantly between the three and six months ended June 30, 2004 and 2003. There were no offsetting material changes.

Operating expenses – affiliated are for the services performed by employees of NTS Development Company, an affiliate of our General Partner. These employee services include property management, leasing, maintenance, security and other services necessary to manage and operate our business.

Real Estate Taxes

Real estate taxes were approximately \$97,000 and \$223,000 for the three and six months ended June 30, 2004, as compared to approximately \$393,000 and \$617,000 for the three and six months ended June 30, 2003. The decrease of \$296,000, or 75%, and \$394,000, or 64%, for the three and six months ended June 30, 2004 is primarily due to decreased tax assessments at Willow Lake Apartments and Park Place Apartments Phase I. The decrease was partially offset by an increased tax assessment at Plainview Point Office Center Phase III. The decrease for the six months ended June 30, 2004 as compared to 2003 was also partially offset by additional Plainview Point Office Center Phase III property tax that was contested in 2003, but overruled in 2004.

Professional and Administrative Expenses and Professional and Administrative Expenses – Affiliated

Professional and administrative expenses were approximately \$191,000 and \$530,000 for the three and six months ended June 30, 2004, as compared to approximately \$219,000 and \$430,000 for the three and six months ended June 30, 2003. The decrease of \$28,000, or 13%, for the three months ended June 30, 2004 is primarily the result of decreased legal and professional fees related to litigation filed by limited partners. The decrease is partially offset by increased costs in relation to our proposed merger. The increase of \$100,000, or 23%, for the six months ended June 30, 2004 is primarily the result of increased costs in relation to our proposed merger. See Item 1 – Note 10 for information regarding our proposed merger.

Our professional and administrative expenses – affiliated did not change significantly between the three and six months ended June 30, 2004 and 2003. There were no offsetting material changes.

Professional and administrative expenses – affiliated are for the services performed by employees of NTS Development Company, an affiliate of our General Partner. These employee services include legal, financial and other services necessary to manage and operate our business.

Depreciation and Amortization Expense

Our depreciation and amortization expenses did not change significantly between the three and six months ended June 30, 2004 and 2003. There were no offsetting material changes.

Interest Expense

Our interest expense did not change significantly between the three and six months ended June 30, 2004 and 2003. There were no offsetting material changes.

Loss on Disposal of Assets

Loss on disposal of assets was approximately \$4,000 and \$4,000 for the three and six months ended June 30, 2004, as compared to approximately \$95,000 and \$104,000 for the three and six months ended June 30, 2003. The decrease of \$91,000, or 96%, and \$100,000, or 96%, for the three and six months ended June 30, 2004 is primarily due to retirements made in 2003 at Willow Lake Apartments and at Sabal Park Apartments before the assets were fully depreciated.

Liquidity and Capital Resources

The following table sets forth the cash provided by or used in operating activities, investing activities and financing activities for the six months ended June 30, 2004 and 2003.

Cash flows provided by (used in):

	Six Months Ended June 30,	
	2004	2003
Operating activities	\$ 1,811,223	\$ 1,034,663
Investing activities	(498,556)	(406,121)
Financing activities	(1,066,312)	(1,021,074)
Net increase (decrease) in cash and equivalents	\$ <u>246,355</u>	\$ <u>(392,532)</u>

Net cash provided by operating activities increased from approximately \$1,035,000 for the six months ended June 30, 2003 to approximately \$1,811,000 for the six months ended June 30, 2004. The increase was primarily driven by the change in accounts payable. The increased accounts payable includes amounts due for professional services related to our litigation filed by limited partners and our proposed merger.

Net cash used in investing activities increased from approximately \$406,000 for the six months ended June 30, 2003 to approximately \$499,000 for the six months ended June 30, 2004. The increase in net cash used was primarily due to increased additions to land, buildings and amenities primarily at Plainview Point Office Center Phase III.

Net cash used in financing activities increased from approximately \$1,021,000 for the six months ended June 30, 2003 to approximately \$1,066,000 for the six months ended June 30, 2004. The increase was primarily the result of increased principal payments made in 2004, partially offset by a note payable in the amount of \$19,216 obtained during the second quarter of 2004 for the purchase of four golf carts. See Item 1 - Note 7 for information regarding our mortgages and notes payable.

Due to the fact that no distributions were made during the six months ended June 30, 2004 or 2003, the table which presents that portion of the distributions that represents a return of capital in accordance with GAAP has been omitted.

Future Liquidity

Our future liquidity depends significantly on our properties' occupancy remaining at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly impaired. In addition, we may be required to obtain financing in connection with the capital improvements and leasing costs described below.

NTS Development Company has agreed to defer, until March 31, 2005, amounts owed to them by us as of December 31, 2003 and those amounts accruing from January 1, 2004 through March 31, 2005, other than as permitted by our cash flows. There can be no assurances that NTS Development Company will continue to defer amounts due them past March 31, 2005. If these amounts are not deferred, such action could have a material adverse effect on our liquidity and financial condition. Payment of such deferred amounts would be dependent upon available operating cash flow or funding from potential third-party resources in the form of loans or advances.

The primary source of future liquidity is expected to be cash from operations. It is anticipated that the cash flow from operations will be sufficient to meet our day to day working capital needs. Cash reserves (which are unrestricted cash and equivalents as shown on our balance sheet) were \$371,697 on June 30, 2004.

The demand on future liquidity is anticipated to increase as a result of the replacement of the roofs at both Willow Lake Apartments (26 buildings) and Park Place Apartments Phase I (23 buildings) all of which were installed using shingles produced by a single manufacturer. The shingles appear to contain defects which may cause roofs to fail. As the shingle manufacturer has declared bankruptcy, we do not expect to be able to recover any of the costs of the roof replacements in the event of any such failures. We do not have sufficient working capital to make all of the roof replacements at one time. As of June 30, 2004, eight buildings at Willow Lake Apartments have had roofs replaced while no roofs have been replaced at Park Place Apartments Phase I. The total cost of replacing all of the remaining roofs is estimated to be \$820,000 (\$20,000 per building).

The demand on future liquidity is also anticipated to increase as we continue our efforts in the leasing of Plainview Point Office Center Phase III. One tenant which occupied 16,895 square feet, or 27%, of the building, vacated its space on November 30, 2001. As a result of this vacancy, there will likely be a protracted period extending beyond 2004 for the property to become fully leased again. On April 16, 2004, a tenant leased approximately 11,000 square feet of Plainview Point Office Center Phase III. The lease agreement calls for tenant finish, estimated to cost approximately \$411,000. The tenant finish cost will be funded by loan proceeds from a note payable obtained October 1, 2003 and cash reserves. Through June 30, 2004, approximately \$401,000 of the tenant finish cost has been incurred. It is estimated that an additional \$54,000 will be needed for tenant finish costs in order to return the building to full occupancy.

The demands on liquidity as discussed above will be managed by our general partner using cash provided by operations, cash reserves, deferral of amounts owed to NTS Development Company, and existing or additional financing secured by our properties. Typically, these capital improvements and leasing costs require use of existing financing or additional financing. There can be no guarantee that such funds will be available at which time our general partner will manage the demand on liquidity according to our best interest.

Leases at Plainview Point Office Center Phase III provide for tenants to contribute toward the payment of common area maintenance expenses, insurance, utilities and real estate taxes. These lease provisions, along with the fact that residential leases are generally for a period of one year, should protect our operations from the impact of inflation and changing prices.

We had no other material commitments for renovations or capital expenditures as of June 30, 2004.

Proposed Merger

As part of the Settlement Agreement, our general partner and the general partners of the four public partnerships affiliated with us, have agreed to pursue a merger of the partnerships and several other affiliated real estate entities into a newly formed limited partnership known as NTS Realty Holdings Limited Partnership (“NTS Realty”). The merger is subject to, among other things, approval by a majority of the limited partner interests in each partnership. We may not seek the approval of the limited partners until a filing made by NTS Realty with the Securities and Exchange Commission is declared effective. For the six months ended June 30, 2004 and 2003, our share of the legal and professional fees for the proposed merger was approximately \$313,000 and \$85,000, respectively.

On February 4, 2004, NTS Realty filed a joint consent solicitation statement/prospectus on Form S-4 with the Securities and Exchange Commission. The solicitation statement/prospectus presents the merger of NTS-Properties III; NTS-Properties IV; NTS-Properties V; NTS-Properties VI; and NTS-Properties VII, Ltd. with NTS Realty. Concurrent with the merger, ORIG, LLC, a Kentucky limited liability company, which is affiliated with our general partner, will contribute substantially all its real estate assets and all of its liabilities to NTS Realty.

On June 24, 2004 and August 13, 2004, NTS Realty filed first and second amendments, respectively, to Form S-4 with the Securities and Exchange Commission. Both amendments are in response to comments made by the Securities and Exchange Commission.

Website Information

Our website address is www.ntsdevelopment.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act are available and may be accessed free of charge through the “About NTS” section of our website as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC. Our website and the information contained therein or connected thereto are not incorporated into this quarterly report on Form 10-Q.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposure with regard to financial instruments is changes in interest rates. All of our debt bears interest at a fixed rate with the exception of a note payable of \$400,000 that bears interest at the Prime Rate. A hypothetical 100 basis point increase in interest rates would not significantly increase annual interest expense on the variable rate note. A hypothetical 100 basis point increase in interest rates would result in an approximate \$1,337,000 decrease in the fair value of debt.

Item 4 - Controls and Procedures

Our General Partner, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2004. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2004. There were no material changes in our internal controls over financial reporting during the six months ended June 30, 2004.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

On May 6, 2004, the Superior Court of the State of California for the County of Contra Costa granted its final approval of the Stipulation and Agreement of Settlement (the "Settlement Agreement") jointly filed by the general partners (the "General Partners") of NTS-Properties III, NTS-Properties IV, NTS-Properties V, NTS-Properties VI and NTS-Properties VII, Ltd. (the "Partnerships"), along with certain of their affiliates, with the class of plaintiffs in the action originally captioned *Buchanan, et al. v. NTS-Properties Associates, et al.* (Case No. C 01-05090) on December 5, 2003. At the final hearing, any member of the class of plaintiffs was given the opportunity to object to the final approval of the Settlement Agreement, the entry of a final judgment dismissing with prejudice the *Buchanan* litigation, or an application of an award for attorneys' fees and expenses to plaintiffs' counsel. The Superior Court's order provides, among other things, that: (1) the Settlement Agreement, and all transactions contemplated thereby, including the proposed merger of the Partnerships into NTS Realty Holdings Limited Partnership, are fair, reasonable and adequate, and in the best interests of the class of plaintiffs; (2) the plaintiffs' complaint and each and every cause of action and claim set forth therein is dismissed with prejudice; (3) each class member is barred from (a) transferring, selling or otherwise disposing of (other than by operation of law) their interests until the earlier of the closing date of the merger, the termination of the settlement or June 30, 2004; and (4) each class member who requested to be excluded from the settlement released their claims in the *Bohm* litigation.

On June 11, 2004, Joseph Bohm and David Duval, class members who objected to the Settlement Agreement but were overruled by the Superior Court, filed an appeal in the Court of Appeals of the State of California, first Appellate District.

Items 2 through 5 are omitted because these items are inapplicable or the answers to the items are negative.

Item 6 - Exhibits and Reports on Form 8-K

Exhibit No.

- | | | |
|----|--|----|
| 3 | Amended and Restated Agreement and Certificate of Limited Partnership of NTS-Properties VI, a Maryland limited partnership. | * |
| 3a | First Amendment to Amended and Restated Agreement of Limited Partnership of NTS-Properties VI, a Maryland limited partnership. | ** |

10	Property Management Agreement and Construction Agreement between NTS Development Company and NTS-Properties VI, a Maryland limited partnership.	*
14	Code of Ethics.	***
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.	****
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.	****
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	****
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	****
*	Incorporated by reference to documents filed with the Securities and Exchange Commission in connection with the filing of the Registration Statements on Form S-11 on March 22, 1985 (effective June 25, 1985) under Commission File No. 2-96583.	
**	Incorporated by reference to Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 1987 under Commission File No. 0-14695.	
***	See www.ntsdevelopment.com for our code of ethics.	
****	Attached as an exhibit with this Form 10-Q.	

Reports on Form 8-K

We filed a Form 8-K on June 24, 2004, to announce that NTS Realty Holdings Limited Partnership filed an amendment to Form S-4 with the Securities and Exchange Commission on June 18, 2004. The original Form S-4 was filed on February 4, 2004.

We filed a Form 8-K on August 13, 2004, to announce that NTS Realty Holdings Limited Partnership filed a second amendment to Form S-4 with the Securities and Exchange Commission on August 13, 2004. The original Form S-4 was filed on February 4, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NTS-PROPERTIES VI,
A MARYLAND LIMITED PARTNERSHIP

By: NTS-Properties Associates VI,
General Partner
By: NTS Capital Corporation,
General Partner

/s/ Brian F. Lavin
Brian F. Lavin
President of NTS Capital Corporation

/s/ Gregory A. Wells
Gregory A. Wells
Chief Financial Officer of NTS Capital Corporation

Date: August 16, 2004

EXHIBIT 31.1

CERTIFICATION

I, Brian F. Lavin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NTS-Properties VI, a Maryland limited partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the registrant's general partner:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 16, 2004

/s/ Brian F. Lavin

President of NTS Capital Corporation,
General Partner of NTS-Properties Associates VI,
General Partner of NTS-Properties VI, a Maryland limited partnership

EXHIBIT 31.2

CERTIFICATION

I, Gregory A. Wells, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NTS-Properties VI, a Maryland limited partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the registrant's general partner:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 16, 2004

/s/ Gregory A. Wells

Chief Financial Officer of NTS Capital Corporation,
General Partner of NTS-Properties Associates VI,
General Partner of NTS-Properties VI, a Maryland limited partnership

EXHIBIT 32.1

CERTIFICATION

I, Brian F. Lavin, President of NTS Capital Corporation, the general partner of NTS-Properties Associates VI, the general partner of NTS-Properties VI, a Maryland limited partnership (the "Partnership"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The quarterly report on Form 10-Q of the Partnership for the period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Dated: August 16, 2004

/s/ Brian F. Lavin

President of NTS Capital Corporation,
General Partner of NTS-Properties Associates VI,
General Partner of NTS-Properties VI, a Maryland limited partnership

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION

I, Gregory A. Wells, Chief Financial Officer of NTS Capital Corporation, the general partner of NTS-Properties Associates VI, the general partner of NTS-Properties VI, a Maryland limited partnership (the "Partnership"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The quarterly report on Form 10-Q of the Partnership for the period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Dated: August 16, 2004

/s/ Gregory A. Wells

Chief Financial Officer of NTS Capital Corporation,
General Partner of NTS-Properties Associates VI,
General Partner of NTS-Properties VI, a Maryland limited partnership

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.